



State Employee Benefits Committee
Group Health Program FY16 Planning
March 6, 2015



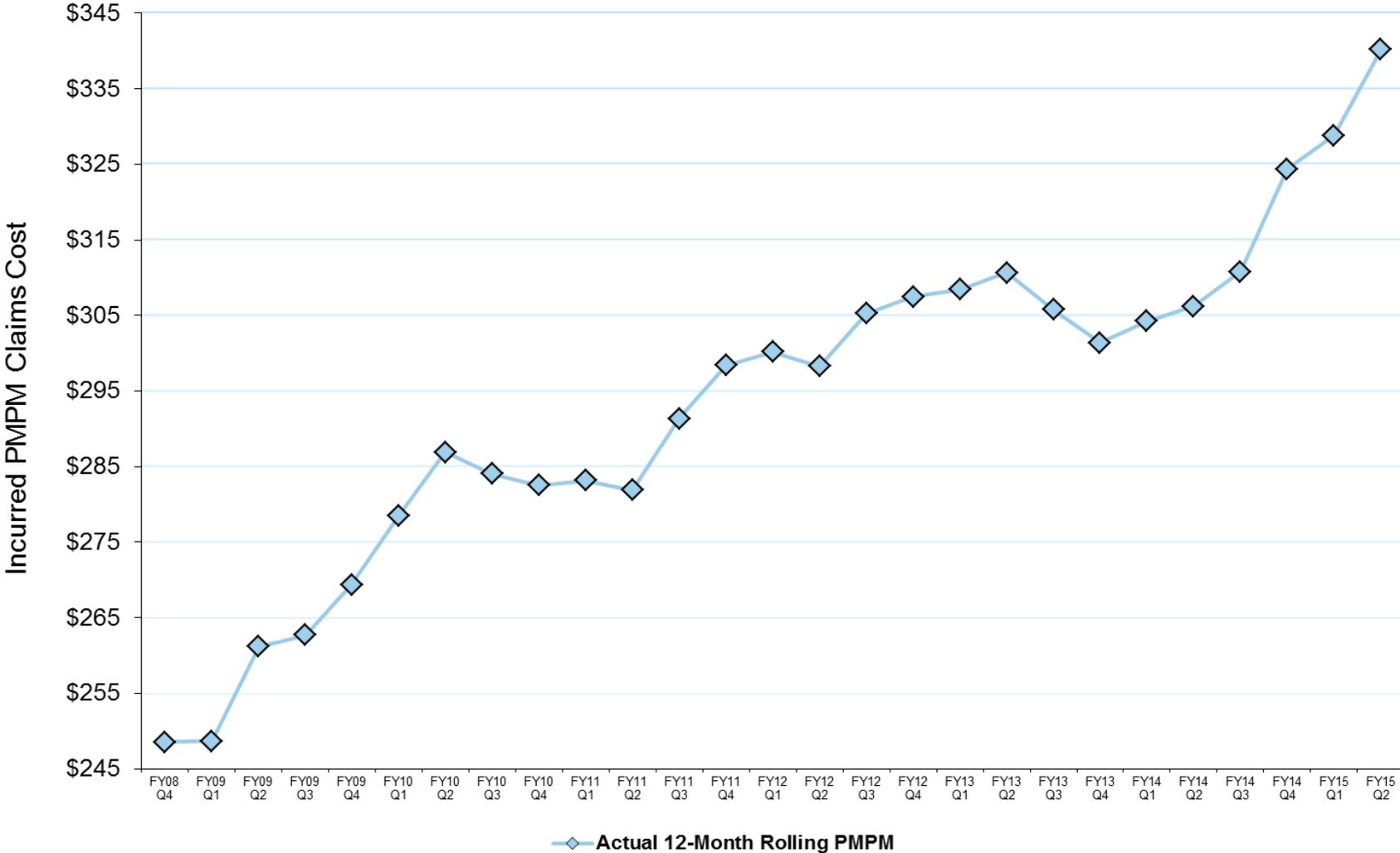
Objectives for Today's Discussion

- **Review Group Health Fund Historical Trends**
- **Highmark Trend Analysis**
- **Review Budget Projections for FY15 and FY16 through FY15Q2**
- **FY16 Health Care Rates**
- **Medical and Prescription Cost Saving Opportunities**
 - Prescription
 - Copay Modeling
 - Plan Changes
 - Benefit Plan Design Changes
 - Outpatient Surgery – PPO plan
 - Lab and Radiology point of service
 - Medical Plan Design Change Modeling

Review Group Health Fund Historical Trends

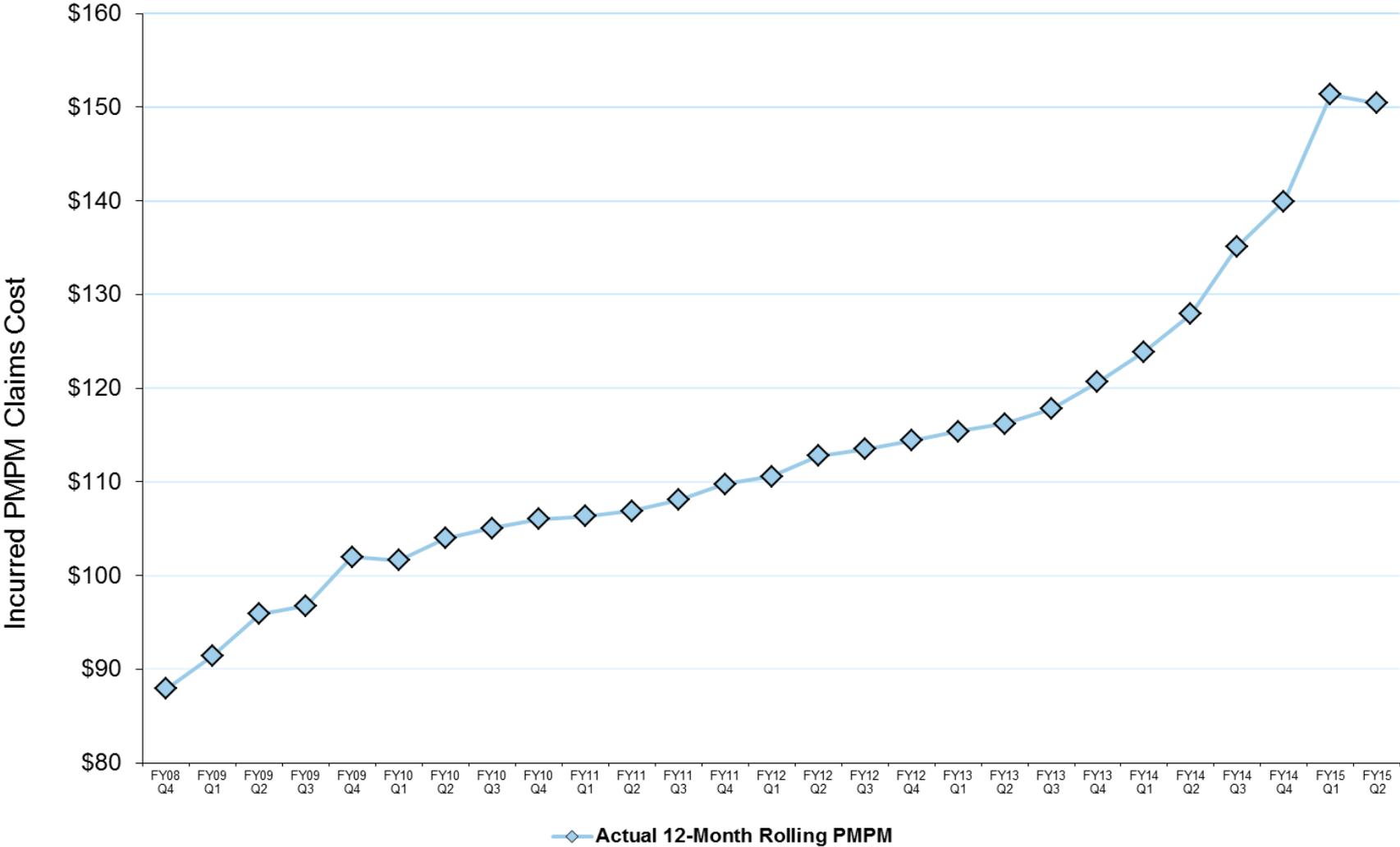


Historical Trend Analysis - Medical



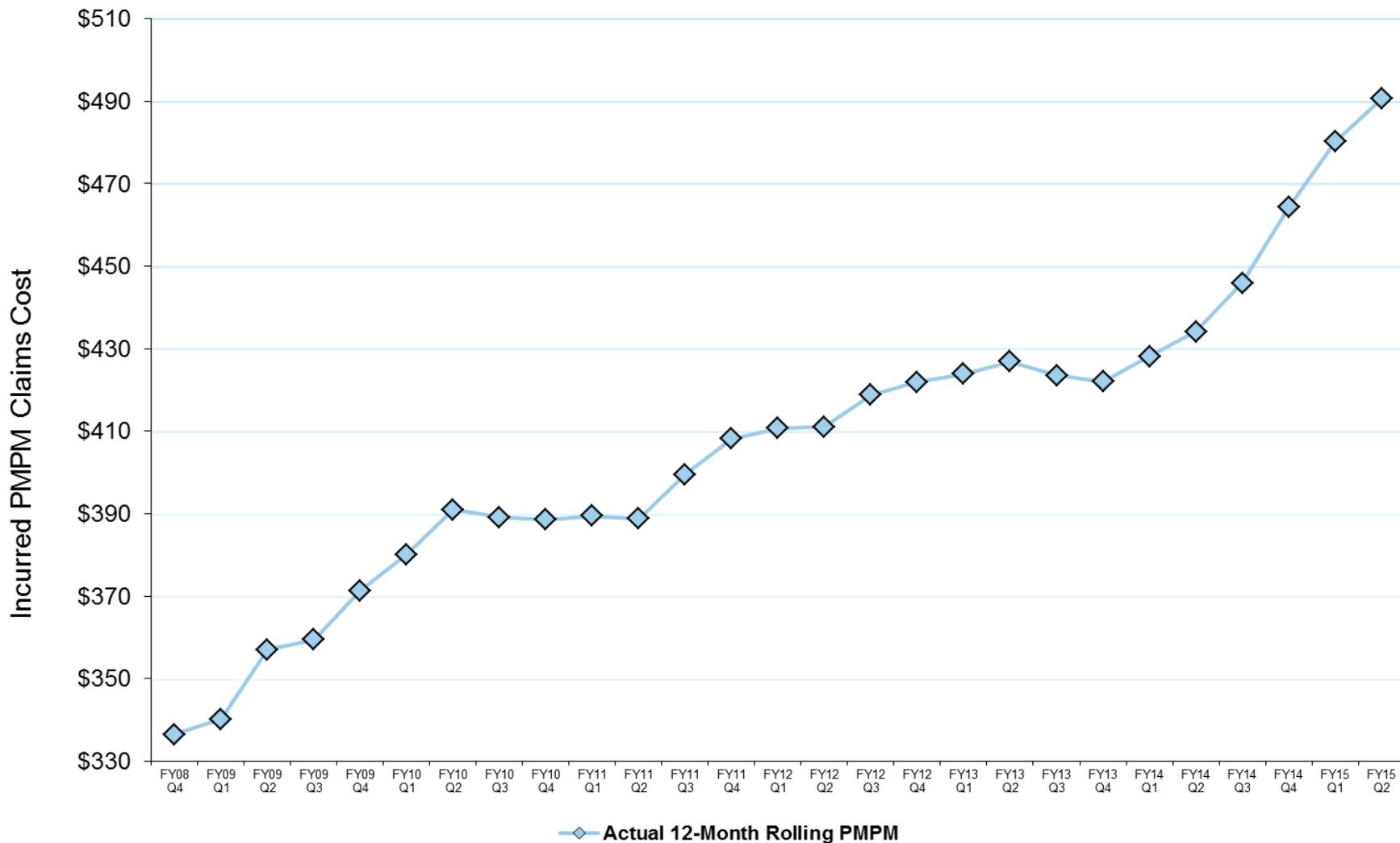
*12-Month Rolling PMPM represents the average Per Member Per Month claims cost for the latest 12 months at that point in time.

Historical Trend Analysis – Prescription Drug



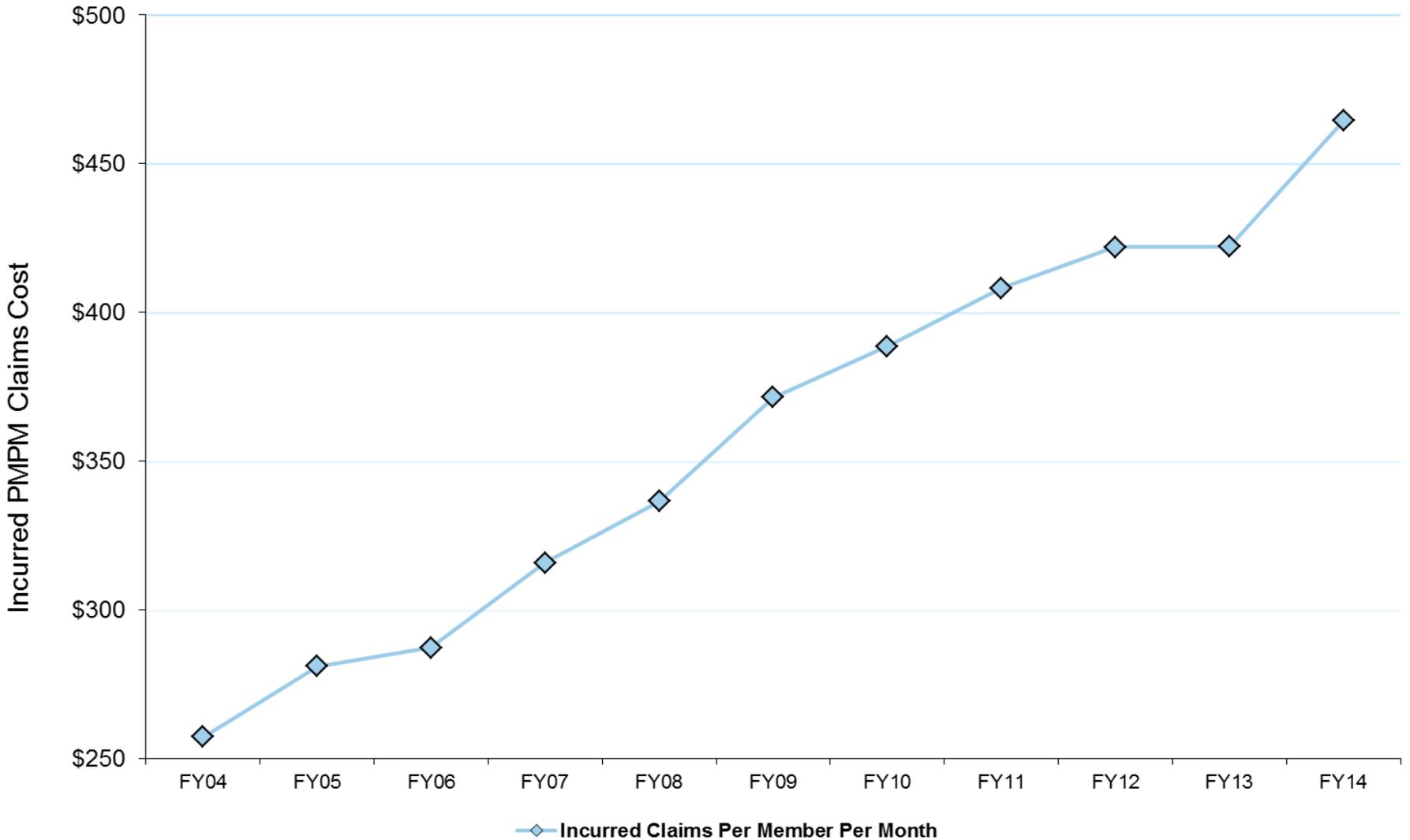
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Historical Trend Analysis – Medical & Drug



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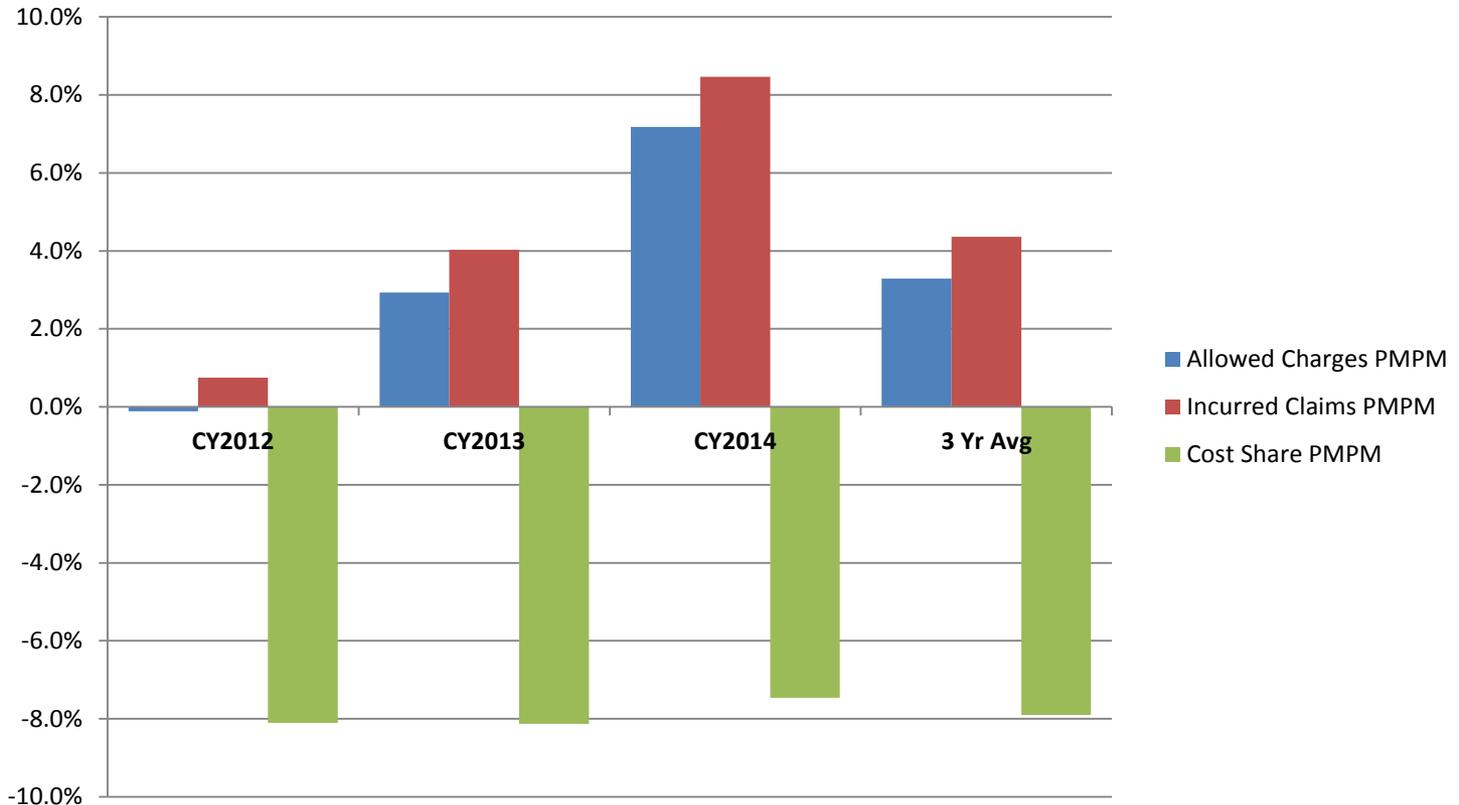
Historical Trend Analysis – Medical and Drug



Incurred Medical and Drug claims before offset for brand drug manufacturer rebates and Part D/EGWP subsidies



State of Delaware Historical Trends



	CY2011	CY2012	CY2013	CY2014	'12/'11	'13/'12	'14/'13	3 Yr Avg
Allowed Charges PMPM	\$378.09	\$377.65	\$388.73	\$416.65	-0.1%	2.9%	7.2%	3.3%
Cost Share PMPM	*\$37.01	\$34.01	\$31.24	\$28.91	-8.1%	-8.1%	-7.5%	-7.9%
Incurred Claims PMPM	*\$341.08	\$343.64	\$357.49	\$387.73	0.8%	4.0%	8.5%	4.4%

*Estimates based on historical data

PPO/HMO Trend Highlights - Trend Buildup

SOD PPO/HMO – Trend Highlights

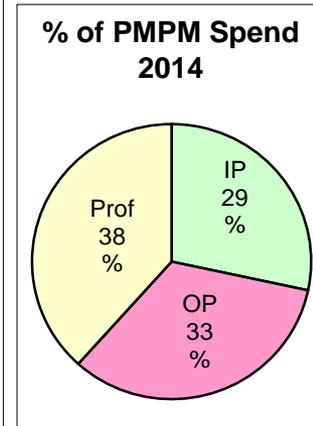
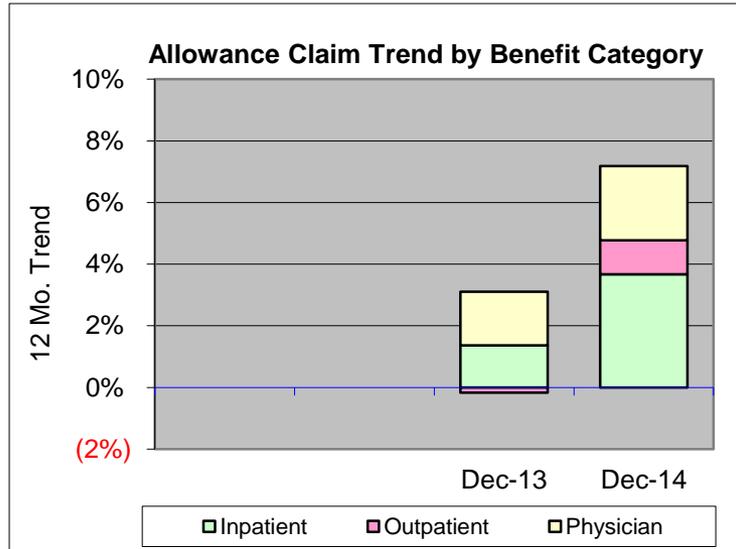
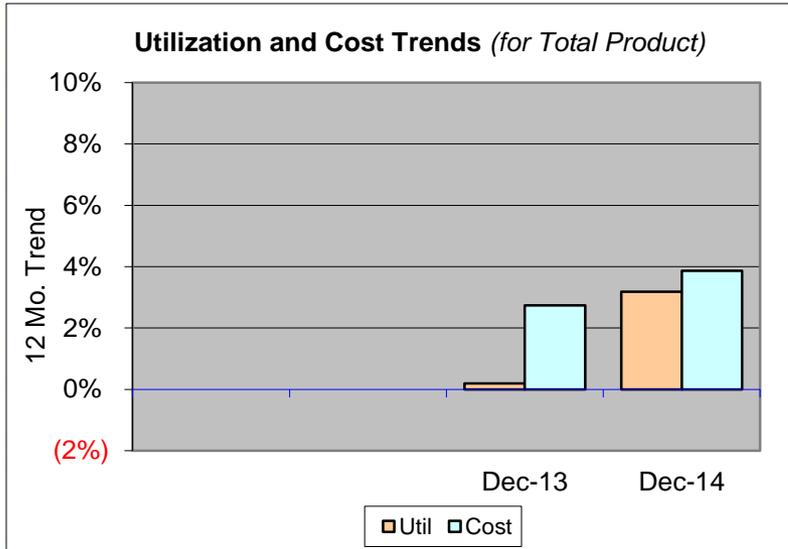
- From CY 2013 to CY 2014, SOD allowed trends have risen from 3% to 7%
- Incurred trends are about 1% higher than allowed because the member cost sharing is static and the value of OPL is declining, resulting in roughly a \$2.50 PMPM decrease per year. Incurred trends are 4% and 8.5% in 2013 and 2014 respectively.
- The major driver of the increase is utilization across all benefit categories. Utilization trend is up from 0% in CY 2013 to 3% in CY 2014.
- The 3% utilization trend is high compared with the rest of Highmark business
- The largest change in utilization is Inpatient, which rose from -1.9% to +3.4%. This is almost entirely due to Maternity and Newborns.
- The secondary driver of the higher trend is inpatient cost per admission, which grew 11% in 2014. This increase is driven by the proportion of catastrophic claims (over \$100k)

Trend Buildup

• CY 2013 SOD Allowed Trend	=	+3.0%	
• Static Member Cost Sharing & OPL	=	+1.5%	
• Increase in IP Utilization Trend	=	+1.4%	<i>due to Maternity claims</i>
• Increase in OP Util. Trend	=	+0.6%	
• Increase in Prof Util. Trend	=	+1.0%	
• Increase in Inpatient Cost Trend	=	+0.7%	<i>prevalence of catastrophic claims</i>
• <u>Other</u>	=	<u>+0.3%</u>	
• CY 2014 SOD Incurred Trend	=	+8.5%	

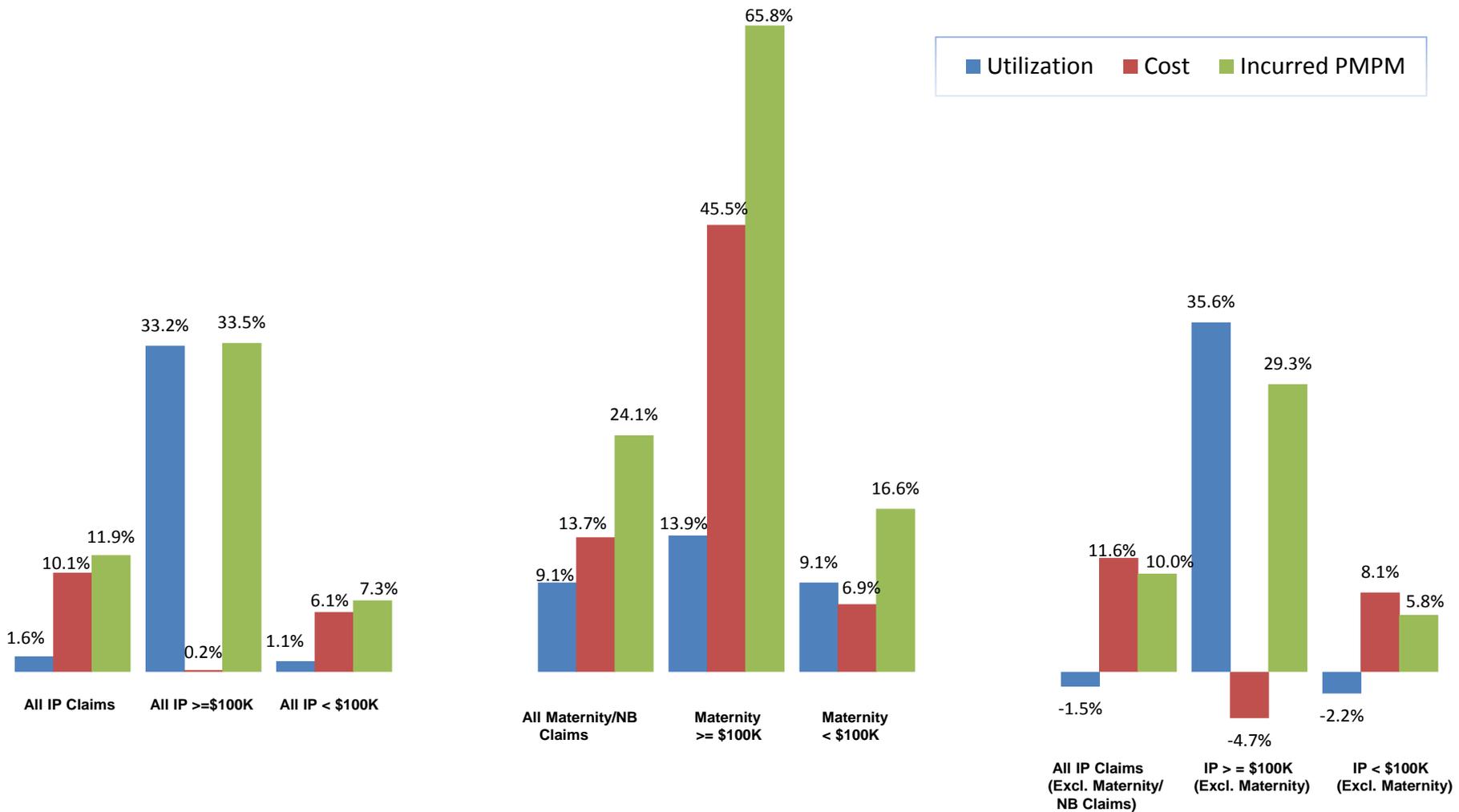
State of Delaware Trend Report

Valuation Date: January 31, 2015



12 Mo. Ending:	Utilization per 1,000			Cost per Utilization			Allowance Claim PMPM		
	12/12	12/13	12/14	12/12	12/13	12/14	12/12	12/13	12/14
Medical							\$377.65	\$388.73	\$416.65
<i>Inpatient</i>	70.8	69.4	71.8	\$16,732	\$17,946	\$19,746	\$98.70	\$103.83	\$118.11
<i>Outpatient</i>	1,952	1,984	2,048	\$830.73	\$813.83	\$813.29	\$135.16	\$134.53	\$138.80
<i>Professional</i>	20,452	20,518	21,135	\$84.37	\$87.94	\$90.70	\$143.79	\$150.37	\$159.74
TRENDS									
Medical		0.2%	3.2%		2.7%	3.9%		2.9%	7.2%
<i>Inpatient</i>		(1.9%)	3.4%		7.3%	10.0%		5.2%	13.7%
<i>Outpatient</i>		1.6%	3.2%		(2.0%)	(0.1%)		(0.5%)	3.2%
<i>Professional</i>		0.3%	3.0%		4.2%	3.1%		4.6%	6.2%

Inpatient Incurred Trends: 2014/2013 using September YTD Claims



Group Health Fund Budget Projections for FY15 and FY16 through FY15Q2



FY15 Group Health Fund Projections

	February 2015
FY 2015 Projected Expenditures	(\$706.8M)
FY 2015 Projected Revenue	\$626.5M
FY 2015 Projected Loss (06/30/2015)	(\$80.3M)

As of FY15 Year End :

Surplus = \$0

Reserve = \$0

FY16 Group Health Fund Projections

	February 2015
FY 2016 Expenditure Projections (includes ACA fees, estimated rebates, adjustments for EGWP subsidies and reinsurance reimbursements, and the cost of losing grandfather status)	(\$743.0M*)
FY2016 Revenue Projections (based on current FY2015 Rates)	\$626.7M
Total Deficit Prior to General Fund Allocation	(\$116.3)
Additional Revenue based on FY2016 General Fund allocation of \$26.1M	\$56.2M
Remaining Deficit for FY16	(\$60.1M)

*Reflects trend increase (5.5%)



FY16 Health Care Rates Based on \$26.1M General Fund Allocation



FY16 Plan Rates assuming \$26.1M General Fund Increase

		Total Monthly Rate	Funded State Share Rate	Employee/Pensioner Rate	\$ Increase in Employee/Pensioner Rate
First State Basic Plan					
Employee	540	\$602.80	\$578.66	\$24.14	\$2.14
Employee & Spouse	96	\$1,247.20	\$1,197.32	\$49.88	\$4.42
Employee & Child(ren)	121	\$916.34	\$879.68	\$36.66	\$3.26
Family	126	\$1,559.04	\$1,496.70	\$62.34	\$5.52
CDH Gold					
Employee	808	\$623.88	\$592.70	\$31.18	\$2.76
Employee & Spouse	231	\$1,293.60	\$1,228.94	\$64.66	\$5.72
Employee & Child(ren)	325	\$953.22	\$905.56	\$47.66	\$4.22
Family	319	\$1,643.42	\$1,561.24	\$82.18	\$7.28
Aetna HMO					
Employee	1,249	\$629.32	\$588.42	\$40.90	\$3.62
Employee & Spouse	423	\$1,326.86	\$1,240.60	\$86.26	\$7.64
Employee & Child(ren)	679	\$962.72	\$900.14	\$62.58	\$5.54
Family	802	\$1,655.64	\$1,548.02	\$107.62	\$9.54
BlueCARE® HMO					
Employee	5,240	\$629.84	\$588.90	\$40.94	\$3.64
Employee & Spouse	2,022	\$1,331.06	\$1,244.54	\$86.52	\$7.66
Employee & Child(ren)	3,335	\$963.68	\$901.04	\$62.64	\$5.54
Family	3,864	\$1,660.70	\$1,552.74	\$107.96	\$9.56
Comprehensive PPO Plan					
Employee	9,271	\$688.20	\$597.02	\$91.18	\$8.08
Employee & Spouse	3,976	\$1,428.06	\$1,238.86	\$189.20	\$16.74
Employee & Child(ren)	4,438	\$1,060.62	\$920.10	\$140.52	\$12.44
Family	5,556	\$1,785.30	\$1,548.76	\$236.54	\$20.94
Port POS Plan					
Employee	141	\$521.66	\$521.66	\$0.00	\$0.00
Employee & Spouse	37	\$1,292.18	\$1,292.18	\$0.00	\$0.00
Employee & Child(ren)	43	\$785.06	\$785.06	\$0.00	\$0.00
Family	47	\$1,305.04	\$1,305.04	\$0.00	\$0.00
Medicfill Rates with EGWP Offset Effective Jan 2016 for pensioners retired prior to July 1, 2012					
Subscriber	20,077	\$398.24	\$398.24	\$0.00	\$0.00
Subscriber no Rx	639	\$225.78	\$225.78	\$0.00	\$0.00
Medicfill Rates with EGWP Offset Effective Jan 2016 for pensioners retired after July 1, 2012					
Subscriber	879	\$398.24	\$378.32	\$19.92	\$1.78
Subscriber no Rx	24	\$225.78	\$214.50	\$11.28	\$0.99
Enrollment as of 12/31/14					

Medical and Prescription Cost Saving Opportunities

- Prescription
 - Copay Overview and Modeling
 - Plan Changes
- Benefit Plan Design Changes
 - Outpatient Surgery copays
 - Lab and Radiology point of service copays
- Medical Plan Design Change Modeling

Prescription Drug Copay Changes

	Current Benefit 30 day supply	Savings Option 1	Savings Option 2	
30 day supply				
Generic	\$8.50	\$10	\$10	
Formulary	\$20	\$25	\$25	
Non- Formulary	\$45	\$50	\$50	
90 day supply	\$17.00	\$20	\$25	
Generic	\$40	\$50	\$62.50	
Non- Formulary	\$90	\$100	\$125	
Total Estimated Cost Share %	9.1%	11.1%	12.6%	
Total Estimated Savings		\$ 2.6M	\$ 4.7M	

Erectile Dysfunction Drug Coverage

- Current coverage = 6 pills for 30 days
- Utilization = 3,413 members
- Total annual cost to plan= \$2.7M

	Current Benefit	Option 1	Option 2
30 day supply	6 pills	4 pills	No coverage
Savings	\$0	\$0.9M	\$2.7M

Outpatient Surgery Copay Change

- Current Outpatient Surgery Copay Tiers under HMO plans
 - Specialist Doctor's Office - \$20
 - Outpatient Surgery - \$30
 - Hospital – \$75
- Recommend increasing copays for HMO and adopting tiered structure in Comprehensive PPO plan as follows:
- Reason:
 - Encourages lower cost place of service options to be utilized
 - Savings – only due to copay increases = \$0.5M
 - Additional savings should be realized if changes occur from higher cost place of service to lower cost place of service

Outpatient Surgery Copay Changes

	Current Benefit – HMO/PPO	Proposed Benefit	Total Savings	
Outpatient Surgery Center	\$30 / 100% covered	\$50 / \$50		
Hospital Outpatient	\$75 / 100% covered	\$100 / \$100		
			(\$0.5M)	

Lab and Radiology Copay Change

- Current costs for lab services at hospitals versus freestanding lab sites is 189% higher
- Current costs for radiology services at hospitals versus freestanding radiology sites is over 67% higher
- Recommend increasing copays for lab and radiology provided by hospital systems as outlined on following slides for active and non-Medicare members effective July 1, 2015
- Recommendation will be forthcoming for similar change to State payment of lab and radiology provided at hospital systems for Medicare members effective January 1, 2016

Lab and Radiology Copay Changes

	Current Benefit – HMO/PPO	Proposed Benefit	Savings	
Lab Tests Copay ²	\$5 / \$5	\$5 / \$30	(\$1.0M)	
X-Rays Copay ²	\$15 / \$15	\$15 / \$75	(\$4.2M)	
Advanced Imaging Copay ²	\$15 / \$15	\$25 / \$100		

¹Ambulatory Surgicenter / Outpatient Hospital

²Freestanding Facility / Hospital

- Additional savings for shift in utilization:
 - For each 5% movement from hospital based services to freestanding clinics = \$0.2M
- Savings reflected are due to change for active employees and non-Medicare retirees only
- Less than 1% of members (401 active and non-Medicare members with Delaware zip codes) would not have access to a freestanding radiology provider within 15 miles. Of those without access within 15 miles, access is available within 19 miles.

Additional Medical Copay Changes

	Current Benefit – HMO/PPO	Proposed Benefit	Savings
Primary Care Physician (Not preventive)	\$10 / \$15	\$20 / \$20	(\$4.4M)
Specialist Visit	\$20 / \$25	\$30 / \$30	(\$1.2M)
Inpatient Hospital	\$100 per day with \$200 maximum	\$150 per day with \$450 maximum	(\$2.7M)

Medical Plan Deductible

	Current Benefit – Individual/Family	Proposed Benefit – Individual/Family	Savings
First State Basic	\$500 / \$1000	\$1000 / \$2000	(\$0.6M)
Consumer Directed Health Plan	\$1500 / \$3000	\$2000 / \$4000	(\$0.9M)
HMOs	\$0	\$500/\$1000	(\$14.9M)
Comprehensive PPO	\$0	\$500/\$1000	(\$24.8M)
Total Savings			(\$41.2M)

Medical Plan Changes – Medicfill plan

Savings¹		(\$1,117,700)	(\$2,226,800)
	Current Benefit	Option 1	Option 2
Deductible	\$0	\$0	\$0
Overall Plan Coinsurance	100%	95%	90%
Out-of-Pocket Maximum	None	\$4,500	\$4,500

¹Savings estimate for Fiscal Year 2016. Plan Changes would not become effective until January 1, 2016.

Savings Options to Balance Budget

Balance Needed: **\$ 116.3M**

Implement Premium Increase based on \$26.1M General Fund Allocation: **\$56.2M**

Remaining Balance Needed after Premium Increase: **\$60.1M**

Implement One or More Medical/Prescription Plan Changes –

Prescription Copay Changes:

Option 1: **\$ 2.6M**

Option 2: **\$ 4.7M**

Impotence Drug Quantity Level Change:

Option 1: **\$ 0.9M**

Option 2: **\$ 2.7M**

Outpatient Surgery Copay change: **\$ 0.5M**

Lab and Radiology Copay change: **\$ 5.2M**

Other Medical Copay Changes –

Doctor's **\$ 5.6M**

Hospital **\$ 2.7M**

Medical Plan Deductibles **\$41.2M**

Medicfill Plan Changes:

Option 1: **\$1.1M**

Option 2: **\$2.2M**

Total of Medical/Prescription Plan Changes: **\$59.8M to \$64.8M**

FY16 Group Health Planning – Next Steps

March Meetings –March 20

- **Balance FY16 Health Fund Budget**
 - Approve FY16 Health Plan Rates
 - Choose Options to Close Gap
- **Approve FY16 DelaWELL Strategy**